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C O N F I D E N T I A L SECTION 01 OF 02 PRETORIA 003624

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TAGS: PGOV ECON SF
SUBJECT: ZUMA REASSURES FOREIGN INVESTORS
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Classified By: Charge d'Affaires Donald Teitelbaum. Reasons 1.4(b) and (d).

¶11. (C) SUMMARY. ANC Deputy President Jacob Zuma on 26 September met with international investors at Citigroup's request, signaling that markets are preparing for the possibility of a Zuma presidency. Citigroup debriefed the Mission's Commercial Attaché the following day, saying Zuma reassured the audience there would be no drastic policy shifts under his leadership, except a harsher approach towards crime. Zuma's comments appear to have been well received, but he is known for telling people what they want to hear. END SUMMARY.

INVESTOR INTEREST IN ZUMA

¶12. (C) On 26 September, ANC Deputy President Jacob Zuma met with 20 international fund managers who represent some USD 6 billion in potential investment into Africa. The meeting was at the behest of Gus Felix, managing director of Citigroup in South Africa, indicating that international financial institutions are taking the possibility of Zuma becoming President of South Africa seriously. Despite Felix's request for an off-the-record meeting, Zuma's camp took full advantage of the situation by publicly leaking details, presumably to suggest that his candidacy was being endorsed by foreign investors. Felix debriefed Mission Commercial Attaché the following day, telling him that Zuma tried to paint a picture of stability by saying that South Africa under his leadership would not be that much different from now, except he would be harsher on crime (not surprisingly, one of investors' biggest concerns). IMF official Robert Burgess told PolOff on 4 October that Zuma's comments were well-received, but added that Zuma is not stupid and that people often hear what they want to believe.

COSATU WHO?

¶12. (C) According to Felix, Zuma told investors his vision of future economic growth is to encourage foreign trade and investment. He also would relax the country's visa requirements to encourage skilled immigration into South Africa. As expected, he told investors he would not raise taxes (even though he would budget more money for housing). Perhaps most surprisingly, Zuma was critical in his comments

about the left-leaning tripartite alliance member Congress of South African Trade Unions (COSATU) -- one of his biggest supporters -- saying the umbrella organization represented only a part of the ANC and a fragment of overall society. In a likely effort to diffuse investor concerns that Zuma would be beholden to the far left, he told the audience he owes nothing to COSATU, or anyone else for that matter.

TOUGHER ON CRIME

¶13. (C) Zuma was tough on law and order issues. He attacked South Africa's current criminal justice system, saying it is not working. He complained that criminals have too many rights, police (along with teachers and nurses) were the most ill-paid government officials in the country, and the "liberal approach" to crime was not working. Zuma argued that this breakdown in law and order is resulting in increased vigilantism and decreased confidence in the public sector.

NO CHANGE IN ZIMBABWE POLICY

¶14. (C) Zuma told the group that under him, there would be no change in South Africa's current policy toward Zimbabwe. Zuma thinks Mugabe has been in power too long and confuses himself with the country. However, Europe and the U.S. should tone down their public criticism since there is no chance of settling Zimbabwe until the level of noise is reduced. Instead, SADC should be allowed to resolve the situation. He also added that he talks to Mugabe, who considers any criticism of him to be racist. Zuma thinks that Mugabe feels he has no choice but to stay in office

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because he fears being charged with war crimes like former Liberian President Charles Taylor. The best way to resolve the situation, in Zuma's opinion, would be to give Mugabe a guarantee of safety and dignity.

NEXT PRESIDENT DOESN'T MATTER ANYWAY

¶15. (C) In what has become a common refrain from Zuma, he told investors that the national president does not make policies, the ANC does. The president of South Africa then implements them. He acknowledged that South Africa's president has a right to emphasize particular elements of ANC policy, but seemed to dismiss the importance of the position (thereby enhancing the ANC presidency in the process) by saying that the South African president is not the primary decision maker.

COMMENT

¶16. (C) Most South African businessmen are not unduly alarmed by the prospect of a Zuma presidency because they assume his policies would fall within the mainstream of the ANC. However, some foreign investors fear Zuma would reverse Mbeki's market-friendly policies based on Zuma's reputation as a "populist" and his alliance with the South African Communist Party and COSATU, which officially backed Zuma for ANC President during their recent annual conference in September. Against this backdrop, Zuma's comments to investors were clearly intended to assuage their worries. Whether Zuma actually meant any of it is less clear. Zuma has been known to say what people want to hear, making it difficult to get a clear picture of what a Zuma presidency would actually look like.

Teitelbaum